TESTIMONY OF STATE COMPTROLLER A. MATTHEW BOXER
SENATE BUDGET COMMITTEE
April 10, 2013

Good afternoon Mr. Chairman and members of the committee, and thank you for inviting me to testify today. With me are Melissa Liebermann, chief of staff for the Office of the State Comptroller, and Mark Anderson, who is the director of our office’s Medicaid Fraud Division.

The Governor has recommended a budget of approximately $9.8 million for our office. In light of the tens of millions of dollars in savings we generate for taxpayers on an annual basis, we are the rare government office that saves money for taxpayers by virtue of our existence.

I’m pleased to report that the past fiscal year has been a productive one for us and I’d like to touch on some highlights of our recent work.

Our Medicaid Fraud Division continues to recover more than a million dollars each week in misspent Medicaid funds. Our longer-term Medicaid projects have included our recent investigation that found state overpayments to five different adult medical day care providers. And we also take on smaller cases, such as pursuing recoveries from a shoe store that was improperly billing the Medicaid program for ordinary basketball sneakers it was selling to its customers.

Our Investigations Division has continued to investigate improper and wasteful conduct by government officials. For example, we released a report this fiscal year about improper participation by professional service providers in the state pension system. Our review of 58 municipalities and school districts found that an overwhelming majority of those entities failed to comply with the 2007 law requiring all local governments to determine whether their professional service providers in the pension system are bona fide employees as opposed to independent contractors. In some cases, for example, we found local governments improperly opted to keep their municipal attorney in the pension system based on the legal advice of the same attorney whose eligibility was in question. In total, we referred 202 pension enrollees to the Division of Pensions and Benefits for removal of improper credits. Local governments have removed other enrollees on their own initiative since our report as well.
Our Investigations Division also has maintained a focus on investigating unethical conduct by public officials. For example, we issued a report this year about an elected official in Chesterfield who improperly used his government position in facilitating a private land deal that brought him substantial profit. In addition to making an ethics referral to the Local Finance Board, the report provides guidance to local officials on setting up a system of controls to avoid such conflicts of interest.

Separate from our traditional investigative work, our office’s Procurement Division reviewed hundreds of government procurements this past year, many of which were modified based on our review. Our procurement staff continues to work with government agencies throughout the state to ensure that their contracting complies with state laws.

Similarly, our Audit Division released audits this year designed to improve the performance, efficiency, and transparency of government operations. I’m pleased to report that our Audit Division recently received the Excellence in Accountability Award from the National State Auditors Association for our audit of the process through which the state disposes of surplus computer equipment.

We’ve made particular efforts this year to audit the kinds of agencies that the average taxpayer otherwise hears little about. For example, we completed an audit of a county improvement authority that found that the authority had paid substantial hidden bonuses to its upper management that were not provided for in their employment contracts or in authority policies. In addition, the bonuses were not based on any measurable performance criteria. It took a review of individual payroll records to find that the four officials in question collectively received more than $100,000 annually in such bonuses in addition to their contractual salaries.

As always, our office also continued to follow up on our past audits to ensure that the entities we audit are implementing corrective action plans that fix the problems we identified. For example, we conducted a follow-up review of our 2010 audit of the New Jersey Turnpike Authority and found that the Turnpike has achieved millions of dollars in savings by implementing our recommendations, such as by trimming health insurance costs and eliminating unjustified bonuses for management and employees.
Our Audit Division also continued to produce research-based projects documenting uses of taxpayer funds. This year, for example, we released a report examining the compensation of community college presidents and detailed the dollars being spent on costly perks for those individuals.

We also continued to reach out to government agencies to provide specific guidance on important fiscal issues. For example, we issued guidance to government units throughout the state concerning cost-effective administration of their workers’ compensation programs.

The last item I would note in terms of our recent work is the Governor’s executive order putting in place oversight measures in connection with Sandy-related expenditures. That order, signed two months ago, gives our office three areas of responsibility: conducting a pre-advertisement review of Sandy-related contracts, posting Sandy-related information on the internet, and providing guidance to public officials regarding the expenditure of federal reconstruction resources. I am happy to report that each of these efforts already is well underway, and we are pleased to play a role in such an important effort.

With that, I thank you for your time and I am happy to answer any questions the committee may have.